

MINUTES
SPECIAL CITY COUNCIL WORKSESSION/ROUNDTABLE
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA
YUMA CITY HALL – CONFERENCE ROOM 190
ONE CITY PLAZA, YUMA, ARIZONA
MAY 25, 2010
2:04 p.m.

CALL TO ORDER

Deputy Mayor Johnson called the City Council meeting to order.

ROLL CALL

Councilmembers Present: Mendoza, Beeson, McClendon, Brooks-Gurrola, Johnson and Mayor Krieger (arriving at 3:14 p.m.)
Councilmembers Absent: Stuart
Staffmembers Present: City Administrator, Greg Wilkinson
Various Department Heads or their representative
Deputy City Clerk, Lynda L. Bushong

I. CITY OF YUMA 2009-10 AND 2010-11 BUDGETS

Wilkinson opened the discussion by noting that the proposed budget is balanced. It has been balanced, in part, by the following:

- Reduction in the workforce: 154 positions (approximately 12% of the workforce) are on hold, vacated generally through attrition and retirement.
- The Equipment Replacement Fund is not being replenished – no funds are being set aside for the replacement of vehicles or computers.
- Employees contributed five furlough days per person.
- Vehicle allowances and bilingual pay have been eliminated.

Wilkinson noted that the \$55,000 payment to the Greater Yuma Port Authority has been reinstated in the budget. If the City Council so chooses, it can be eliminated.

Wicks presented an overview of the proposed budget by reviewing certain sections and pages in the document entitled: *Preliminary Budget, City of Yuma, Arizona, Fiscal Year 2010-2011*.

- The chart and table on page 2 show the specifics regarding the overall budget; reproduced below.

	2008-2009 Actual	2009-2010 Budget	2009-2010 Estimate	2010-2011 Request	% Change
Personal Services	65,772,354	66,123,412	61,326,761	60,925,901	-7.86
Materials and Services	39,737,577	46,631,690	42,576,537	47,789,670	2.48
Debt	31,387,035	31,403,458	30,810,582	29,135,058	-7.22
Capital Outlay	6,982,775	3,573,836	1,490,859	4,102,212	14.78
Total Operational	143,879,741	147,732,396	136,204,739	141,952,841	-3.91
Capital Improvements	52,195,045	94,400,743	27,598,769	87,632,349	-7.17
Total Budget	196,074,787	242,133,139	163,803,508	229,585,190	-5.18

- Grants account for the modest increase in Materials and Services.
- This year's budget is 5% less than last year's budget.
- Staff follows the budget adoption schedule each year as set forth on page 8.
- By policy (Financial Policies, Operating Budget Preparation, page 9), the City has established that it will maintain a General Fund Undesignated Fund Balance minimum of 20%; that level has been cut to 18% lately because of the economy; however, the City has been able to maintain the 20% level to date through recent increases in sales tax revenue projections.
- The City uses an accounting method known as Fund Accounting.

(Mayor Krieger arrived at 3:14 p.m. and assumed the duties of Presiding Officer.)

- The table on page 12, Budget Summary-Fund Group, displays the various revenues available to the City and the funds they support, as well as the expenditures by fund and department or use.
- Revenue breakdown
 - State Shared Revenues
 - Vehicle Tax: 6%
 - State Income Tax: 16%
 - State Sales Tax: 12%
 - Local revenues
 - Property Tax: 18%
 - Franchises: 6%
 - Sales Tax: 30%
 - Other – Fines: 2%; Licenses/Permits: 4% and Charges: 7%
- All sources are down, though local sales taxes revenues have risen in the last two months reported.
 - Expenditure breakdown
 - Public Safety
 - Fire: 26%
 - Police: 40%
 - Administrative Departments: 12%
 - Municipal Court: 3%
 - Community Development: 5%
 - Parks: 14%
- The table on page 17 compares the actual expenditures of 2008-2009 to the budgeted amounts and estimated actual expenditures for 2009-2010, as well as the budgeted amounts for 2010-2011 for each department.
- Retail sales for the past two months have risen and that has allowed staff to increase the amount of estimated revenues available to the City in the budget, eliminating the need for any further furloughs.
- The status of the General Fund is found on page 18, and is reproduced as follows:

General Fund

	2008-2009 Actual	2009-2010 Budget	2009-2010 Estimate	2010-2011 Request
Undesignated Fund Balance July 1	13,913,667	14,712,335	11,741,322	11,393,721
Estimated Revenues	60,273,945	58,774,120	55,115,973	55,511,590
District 67 Reserves	-	-	-	947,380

From Debt Service Reserve	-	-	-	1,413,914
Transfers In:				
Equipment Replacement Fund		-	1,143,186	-
Total Transfers In		-	1,143,186	-
Total Sources	60,273,945	58,774,120	56,259,159	57,872,884
Uses:				
Expenditures				
Personnel	48,191,686	47,645,049	44,395,215	44,187,272
Operating	8,577,032	8,316,037	6,528,866	7,725,892
Debt Service Reserve	596,040	598,577		
Capital Outlay	204,603	397,892	174,900	526,364
Capital Improvements	274,700	40,000	-	-
Transfers Out:				
Solid Waste Fund	1,346,488	1,312,172	1,197,142	-
Yuma Mall Maintenance Fund	106,189	135,036	134,278	120,863
Riverfront Redevelopment	-	-	-	-
Radio Communication Fund	189,720	123,900	123,900	123,900
Debt Service Fund	2,959,831	2,887,049	4,052,459	2,548,845
Total Transfers Out	4,602,228	4,458,157	5,507,779	2,793,608
Total Uses	62,446,290	61,455,712	56,606,760	55,233,136
Undesignated Fund Balance June 30	11,741,322	12,030,744	11,393,721	14,033,469

- Note that the Undesignated Fund Balance as of June 30, 2011 should be approximately \$14 million, up from the previous years, which will be important in 2011-2012.
 - Concerning \$947,380 in District 67 Reserve: Money from the Equipment Replacement Fund was reallocated into this reserve fund to help balance the budget. The monies in this reserve are used to reimburse the Yuma Palms Shopping Center (Mall) developer for the City's portion of the infrastructure improvements he made during construction of the mall, per the Development Agreement.
 - Concerning the Debt Service Reserve: Staff has come to realize that debt service payments on the public safety facilities will have to follow the redemption schedule, rather than paying the upfront and in advance of the expiration of the bonds.
 - The establishment of a \$5 solid waste collection fee will eliminate the need to transfer \$1 million out of the General Fund to the Solid Waste Fund and will free up that money for other necessary services.
 - A \$14 million Undesignated Fund Balance is much better than the negative fund balance anticipated by staff last January, 2010.
- Special Revenue Funds, beginning on page 20.
 - Highway User Revenue Fund (HURF)
 - Significant decline in revenues
 - As prices go up, consumption drops, which impacts this fund because it is based on a per gallon charge
 - State Legislature has swept funds into State coffers.
 - Used by City for street improvements
 - Fewer dollars available for street repair or major maintenance.
 - Some staff salaries tied to this funding.
 - Local Transportation Assistance Fund (LTAF)
 - Raised through lottery spending
 - State Legislature has decided to keep all lottery funds

- The balance of funding in this fund will be moved to the Capital Improvement Program.
- Road Tax Fund (.5% tax)
 - Declined, just as Sales Tax revenues have declined
 - Many expenditures, formerly paid for by HURF, have been moved into this fund.
 - Money in the fund represents the remaining proceeds from the City's 2007 bond issuance and will be used for capital improvements.
- Public Safety Tax Fund (.2% tax)
 - Specifically for public safety facilities and communications systems
 - Bond to be paid off in 2015.
 - Revenues have declined.
 - Most dollars will go to debt service.
- Recreation Complex Fund
 - Comprised of 2% tax revenues, held in recent years to \$1.5 million annually
 - Supports Yuma Civic Center and baseball complex
 - Fund is relatively stable
- Two Percent Tax Fund
 - Begun in 1971 upon voter approval; renewed for second time in 2009.
 - Slight decline in revenues because of overall economic condition
 - Capital improvements scheduled for next year
 - \$440,200 payment due next year to the developer of the Riverfront hotel and conference center.
- Mall Maintenance Fund
 - Applies to Downtown Mall
 - Financed by property tax (rate: \$4.77) on Mall Maintenance District property
 - Subsidized by the General Fund
 - The level of continued subsidy needs to be reviewed by the City Council given that property values in the district have risen.
- Solid Waste Fund
 - The Environmental Solid Waste Fee, begun in 2000, offsets only landfill disposal costs, the Neighborhood Cleanup program, current centralized recycling efforts and the household hazardous waste collection.
 - Once the \$5 fee is instituted, the Solid Waste Fund will not need any subsidy from the General Fund and the fund balance will fluctuate.
 - A number of issues relating to the Solid Waste Fund will need to be addressed even with the new \$5 charge. The current charges do not address equipment replacement or recycling. Fortunately, the City's current sanitation trucks are relatively new.
 - Any undesignated fund balances remain in the fund, leaving an excess to begin the next year. Should enough money become available in the fund, it could be used to pay for equipment or recycling.
- Grant Funds
 - An aggregate of all current and anticipated grant funding
- Debt Service Funds
 - A non-enterprise fund
 - General Fund subsidy cut due to refunding of bonds.

- Capital Project Fund
 - Comprised of bond proceeds from 2007 bond issue
 - Being spent on road projects.
- Enterprise Funds
 - Water-related
 - Water Fund
 - Data shows a steady increase in customers because of a steady increase in population
 - A recent series of rate increases ended last year
 - The Undesignated Fund Balance will be slightly down from previous years because of capital projects
 - Water Transfer Fund; Water Capacity Fund; Water System Development Fund
 - Small special purpose funds
 - Water Capacity Fund revenues have decreased due to a decrease in local construction
 - Money allocated to debt service have been subsidized by rate revenues
 - Water Revenue Bond Fund – recap of resources available from 2007 bond proceeds; money allocated to capital improvement projects
 - Waste-water related
 - Wastewater Fund
 - Similar to the water fund
 - 2.5% rate increase scheduled for January 2011, the last of the scheduled wastewater increases
 - Both sewer plants are at planned capacity; ultimately, Desert Dunes will need to be expanded and the Figueroa Plant rehabilitated.
 - Wastewater Capacity Fund; Wastewater SSIC Fund; Wastewater Area A&B Fund; Wastewater 26th Place Trunk Fund; Wastewater Revenue Bond Fund
 - Funds for specific wastewater activities
 - Wastewater Revenue Bond Fund: Shows money left over from 2007 bond proceeds; will be depleted by the end of next year; being used for capital improvement projects.
 - Desert Hills Golf Course
 - Relatively stable
 - No debt service on the clubhouse next year because the bonds will have been paid off.
 - Desert Hills and Arroyo Dunes are the subject of a Request for Proposal to privatize their operations.
 - Arroyo Dunes Golf Course – until an appropriate alternate use for this site is determined, it will continue as is.
- Internal Service Funds – internal charges to the departments
 - Equipment Replacement Fund (ERF)
 - A small balance of contingency funding is available for items that fail.
 - No rents from departments is going into the fund, so no routine replacement is taking place.
 - Returning to the previous arrangement will be extremely difficult; a new method of paying for this activity will need to be identified in the future.
 - The revenue shown is from interest earned on ERF money.
 - Equipment Maintenance Fund – provides for the maintenance of the City's fleet of automobiles
 - Insurance Reserve Fund – an internal charge used to cover the City's self-insurance.

- Department budgets
 - The section contains information on the accomplishments and goals of each department and their respective divisions, the number of personnel authorized for the department/division, and a recap of the department's revenues and personnel, operating and capital expenditures.
 - The only new personnel in the budget are those positions necessary to being providing ambulance services, should the City receive a Certificate of Necessity from the State.
- Capital Improvement Program – sets forth details of the first year of the ten year program by revenue source.
- Debt Management section – sets forth the type of bond, purpose of bond proceeds and rate of interest.
 - The City has no property tax based debts.
 - Includes a list of redemption schedules for all City debts.
- Appendix: tables showing revenues by fund and recap of expenditures by fund and department
- Outside agency allocations
- Supplementals relating to the Certificate of Necessity
- A recap of authorized staffing – position and department
- A property tax levy limit worksheet

Discussion Highlights

Johnson: The drop in HURF revenues is also a reflection of people not buying cars, not the drop in consumption.

Mayor Krieger asked that staff consider clarifying the descriptive information on City bills about the Environmental Solid Waste Fee and the new solid waste collection fee. People are confused about what they are paying for. The items need to be clearly defined.

Wilkinson noted that replacing two trucks per year, the optimum schedule, would cost \$440,000. It would take \$1.4 million to begin a recycling program.

Mayor Krieger: Will any federal money going to the B&C Colonia project be set aside for plant expansion? **Wilkinson:** Desert Dunes has a capacity of 3 million gallons per day (mgd) and the Jack Rabbit plant has a capacity of 250,000 gallons per day. The Jack Rabbit plant is not being used at this time, but can be brought online as needed. Based on regulations, the City is at its planned capacity; however, the actual flow is approximately 1.3 mgd. Staff is working with developers to see if they could give up some of the capacity they have spoken for, so that the City does not have to build new facilities at this time.

Beeson questioned several Community Relations goals, specifically:

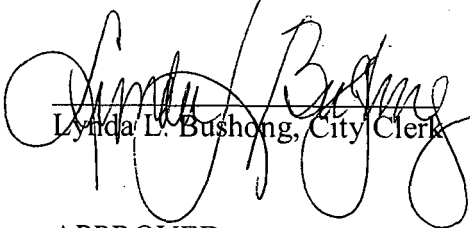
- To develop and implement a nation-wide advertising campaign for “Yuma, The Original Arizona”
 - Isn't this redundant to work the Yuma Visitor's Bureau is doing.
- To explore additional communication opportunities between the City and the community, perhaps implementing a “fire aide chat” concept with a member of the City Council.
 - Hasn't this been tried with little success via the Monday with the Mayor program?
- Redesign and construct new television production sets for use on programs produced in the City Hall television studio.

- How can this be justified when City employees are being furloughed?
- Live remote broadcast capability is not necessarily a government role.

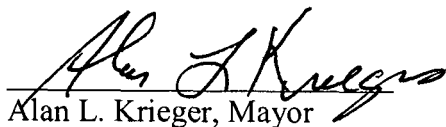
In summary, **Wicks** asked the City Council to let staff know if there are any ways the Preliminary Budget document could be improved. Further discussions on the budget will follow at tomorrow's Special Worksession and will be possible prior to taking action on the Preliminary Budget, the Capital Improvement Program Budget and the Final Budget.

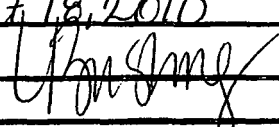
II. EXECUTIVE SESSION/ADJOURNMENT

Motion (BeesonMcClendon): To adjourn to Executive Session. Voice vote: **adopted** 7-0; The meeting adjourned at 3:42 p.m.


Lynda L. Bushong, City Clerk

APPROVED:


Alan L. Krieger, Mayor

Approved at the City Council Meeting of:
<u>August 18, 2010</u>
City Clerk: <u></u>